

9/26/78 [2]

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Memo	Moore & Kraft to Pres. Carter, w/attachments 4 pp., re:1978 elections	9/26/78	A

FILE LOCATION

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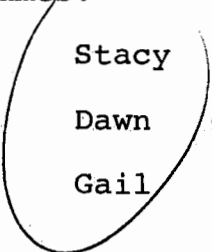
THE WHITE HOUSE
WASHINGTON

September 25, 1978

Mr. President:

Congressman Rostenkowski is bringing three daughters to meet you before the breakfast. Photos will be taken and they will leave before the breakfast.

Names:



Stacy	Rostenkowski
Dawn	Rostenkowski
Gail	Rostenkowski

F.M.

8:00 AM

THE WHITE HOUSE

WASHINGTON

September 25, 1978

C

CONGRESSIONAL LEADERSHIP BREAKFAST

Tuesday, September 26, 1978

8:00 a.m.

Family Dining Room

From: Frank Moore *F.M. / Leo Francis*

I. PRESS PLAN

White House Photo Only

II. PARTICIPANTS

See Attached List

III. AGENDA

(Senator Byrd will not be attending because the Senate convenes at 8:30 a.m. He has asked Senator Cranston to give a report in his place).

1. Foreign Affairs. I suggest you give a Camp David report similar to the one you gave to the Cabinet on Monday.

You might thank Senator Inouye again -- this time for his help on the Floor with the Foreign Aid Appropriations bill. The Senate bill added \$175 million to the House version and \$1.8 billion for the Witteveen Facility.

2. Humphrey-Hawkins. You should mention that you will be meeting with the Congressional Black Caucus this morning and that you are aware that the Caucus Newsletter mailed throughout the country has produced high expectations for the passage of Humphrey-Hawkins. You should ask for recommendations on how to handle this with the Caucus as well as with the Black Leadership Conference later this week. (Shirley Chisholm is expected to attend this morning).

3. ERA Extension. You might mention that White House staff has received a great deal of pressure and that our response has been that the Republicans are responsible for the delay.

You might ask Senator Cranston to pass these comments on to Senator Byrd and to thank the Majority Leader for putting the ERA Extension on the Senate schedule.

4. Schedule. You might ask the Speaker and Senator Cranston to give a preview of the week's schedule. I suggest you particularly focus on the progress of the energy conferences and whether it appears likely all will be completed by the Senate during the week of October 2 - 6.

You should also ask Senator Cranston about Finance Committee work on the tax bill -- are they likely to finish tomorrow (Wednesday)?

5. Hospital Cost Containment. You should say that you know it will be a tough battle but that success is essential in the fight against inflation. You might mention the reaction to your speeches and your belief that the American people expect us to do something about the horrendous cost of medical care.
6. Airline Deregulation. This is now in Conference. You should urge the Speaker and the Senate Leadership to lean on Bizz Johnson and Senator Cannon to move quickly so that this legislation does not get lost in the end of the Congress shuffle.
7. Supplementary Fiscal Assistance. (Counter-Cyclical Revenue Sharing) The authorization bill passed the Senate on Saturday (44-8). Of the major components of the Urban Policy, this is now the only one with a reasonable chance for enactment this year. It goes to the House Rules Committee on Wednesday and is likely to be considered next week. You should ask that it be scheduled as early as possible.

We will then need an appropriation (about \$650 million). You should ask both the Speaker and Senator Cranston for help on this. Possible options are the Continuing Resolution or a Special Supplemental.

8. Troublesome Bills. Last week a good bit of interest was expressed in the list of possible vetoes. You might preface your remarks with a statement to the effect that the situation with some of the bills seems to be improving and that you are hopeful the problems will be resolved before the bills reach your desk.

Public Works Appropriation

You should indicate that you met with Jim Wright and Tom Bevill last week and that a letter outlining problems with the legislation was sent yesterday (Monday).

Troublesome Bills (Cont.)

Public Works Authorization/Locks and Dam 26

The probability of your vetoing this bill depends on how much the bill exceeds your budget and whether acceptable user charges are included. This could still be worked out.

Surface Transportation

The Senate Highway Bill is acceptable as will be the Senate Transit Bill if the Williams-supported \$1 billion cut passes and the Brooke Amendment is stricken.

You should maintain your veto threat -- the House bill is grossly over budget. They will either have to fix it when they complete floor action or in conference (the only way being to accept Senate numbers).

Foreign Relations Authorization

A veto of this bill can be avoided by tacking a High-One retirement plan repealer on another bill.

Tuition Tax Credit

Congress is aware of your strong opposition to any tuition tax credit. Elementary and Secondary credits are not likely to be in the bill.

Vocational Rehabilitation

The Senate has passed this. They cut the authorization level from \$400 million down to \$200 million over your budget. This is a possible pocket veto candidate; a veto would be overridden.

Treasury Appropriation

The Dole Oil Import Fees are a problem. I will be talking to Byrd about this. This will be a definite veto candidate if the Dole Amendment is in it.

Small Business Administration

This bill is in conference. The conference is rewriting the bill substantially, and we therefore hope to be able to work out remaining problems. SBA has the lead on this.

Troublesome Bills (Cont.)

Department of Energy Authorization

The Clinch River Authorization is a problem. The House bill contains the construction money; the Senate has yet to debate it. This is a candidate for a veto if Clinch River Authorization stays in.

Veterans' Pension

We have had very productive sessions with the conferees and feel that we are on the way to resolving our differences, although the outcome is not yet certain.

Sugar

We feel that this is a definite candidate for veto if the bill provides more than a 15 - ~~15~~¢ support price. ↙

Tax Bill

We will have to wait to see what the final version of this bill contains.

9. Natural Gas. You should give special thanks to the Speaker for the work of his task force on Natural Gas chaired by Congressman Phil Sharp.

PARTICIPANTS

The Vice President

Senator Cranston
Senator Inouye

Speaker Thomas P. O'Neill, Jr.
Cong. Jim Wright (will arrive late)
Cong. John Brademas
Cong. Thomas Foley
Cong. Dan Rostenkowski
Cong. Shirley Chisholm

Frank Moore
John White
Stu Eizenstat
Dr. Brzezinski
Jody Powell
Jerry Rafshoon
James Schlesinger
Dan Tate
Bob Thomson
Bill Cable
Jim Free
Bill Smith

NSC ATTACHMENT

TALKING POINTS: PL-480 for Egypt

-- Egypt had approached us twice for additional PL-480 this year. We had turned them down for budgetary reasons, although we realized that their need was real.

-- It is appropriate in the wake of Camp David to reconsider our decision and to make a substantial gesture of our support for President Sadat.

-- Additional PL-480 will have immediate visibility and will underline our continuing support for President Sadat's regime.

-- Additional PL-480 at this time would respond to an established need and would help Egypt in two ways: first, it would feed Egyptians in a difficult year, and second, it would act as budgetary support since it would remove the necessity for hard currency food purchases abroad.

-- We support an additional 500 thousand metric tons of wheat and wheat flour for a value of \$60.5 million at current prices, to be added to the Continuing Resolution Bill when it reaches the floor this afternoon.

(Background) Tomorrow the continuing resolution bill for HEW and Defense will go to the floor of the House. The staff of the House Appropriations Committee has recommended using this vehicle to attach the PL-480 request for Egypt. The other bills which would be more appropriate for this type of a rider are already too far advanced to have something like this attached to them.

7:58 AM

THE WHITE HOUSE

WASHINGTON

September 25, 1978

MEETING WITH WENDELL MITCHELL (CONGRESSIONAL CANDIDATE,
SECOND DISTRICT, ALABAMA)

Tuesday, September 26, 1978

7:58 a.m. (two minutes)

The Oval Office

FROM: FRANK MOORE *FM*

I. PURPOSE

A photo with the President for use in campaign materials.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: Wendell Mitchell is the Democratic nominee running against incumbent Republican William Dickinson. He received over 60% of the vote in the Alabama primary. (After serving six years in Washington as an assistant to Congressman Tom Bevill and Senator Jim Allen, he tried to run for the House in 1972 and lost the primary. Two years later he was elected to the state senate.)

The district is in the southeast portion of the state (Montgomery, Dothan). Dickinson has always had large majorities in the two population centers, and Mitchell will have a problem there. However, the Democrats are optimistic because Dickinson was held to only 57.6% of the vote in 1976 by his opponent, a political novice.

There are two military installations in this district, Maxwell AFB and Fort Rucker. As a member of the Armed Services Committee, Dickinson has always campaigned on this issue and his influence in military matters. Mitchell will have a hard time matching this.

B. Participants: Wendell Mitchell

C. Press Plan: White House photographer

III. TALKING POINTS

- A. Mitchell is likely to invite you to attend the National Peanut Festival in Dothan, Alabama this fall.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 25, 1978

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CIS*

Subject: Consumer Prices in August

Tomorrow (Tuesday, September 26) at 9:00 A.M. the Bureau of Labor Statistics will release figures on the CPI in August. The total CPI rose 0.6 percent last month, compared with 0.5 percent in July. This is not as good a performance as we had hoped for, but it is much better than the average monthly rise of 0.8 percent during the first six months of 1978.

The uptick in the inflation rate from July to August was due to food price behavior. Food prices, which were unchanged in July, rose 0.2 percent in August. Prices at the grocery store were unchanged, last month, but the cost of restaurant meals went up. Meat prices declined somewhat, and so did prices of fresh vegetables.

Outside the food area, there are no signs that inflation is abating -- the index for all items less food increased 0.7 percent, the same as in June and July. Mortgage financing costs and prices of new homes continued to increase rapidly in August. Medical care costs increased very sharply -- 0.9 percent, led by a 1.5 percent rise in hospital room rates.

Over the next month or two, we are looking for continued moderation in the food price area. Domestic new car prices will probably also rise relatively little, since the auto producers phased in price increases earlier this year to avoid an eye-catching jump this fall. Overall increases in the CPI, therefore, may stay in the 0.5 to 0.6 percent range of the past two months, and with luck we may do better.

THE WHITE HOUSE
WASHINGTON

September 26

Q

Mr. President -

Harold Hughes will probably mention
at lunch today his invitation to spend
an afternoon in prayer at his farm.

I talked with him on the phone about
a month ago and suggested you hoped to
be able to do so sometime after the
election.

On the proposed November schedule
on your desk, we have recommended
Sunday afternoon, November 12.

fran

fan

THE WHITE HOUSE
WASHINGTON

9/26/78

Stu Eizenstat
Jerry Rafshoon
Jim Fallows

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ACTION

FYI

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

9.30

THE WHITE HOUSE
WASHINGTON

cc Jerry
Stu
Jim

September 26, 1978

This is the Black
Caucus speech. Let's
emphasize H-H. They
want a sober speech.

JC

MEMORANDUM TO THE PRESIDENT

FROM: LOUIS MARTIN

SUBJECT: ADMINISTRATION MINORITIES ACCOMPLISHMENTS

Attached are fact sheets on some Administration accomplishments which should be of interest to minorities. This is the first draft. It is being sent to Black state legislators as well as members of the Congressional Black Caucus and a large group of Black mayors.

ADMINISTRATION ACCOMPLISHMENTS OF PARTICULAR INTEREST
TO MINORITIES

I. Jobs and Economy

- o Since election, employment has grown by 6.5 million workers
- o Unemployment rate reduced from 8.2% in January 1977 to 6.2% today. Nation has highest employment in history -- 94.5 million.
- o Put \$6 billion into fight to combat youth unemployment.
- o Proposed new private sector training program, Targeted Employment Tax Credit and Labor-Intensive Public Works program earmarked for long-term unemployed.
- o Supports enactment of Humphrey-Hawkins Full Employment and Balanced Growth Act.
- o Proposed and enacted increase in CETA public service jobs from 300,000 to 750,000 last year; proposed reauthorization of CETA this year at same level and increased targeting of the job slots to low-income individuals.
- o Proposed \$21 billion economic stimulus program to end recession which included \$6 billion tax cut, 200,000 youth jobs, and \$4 billion public works program which included a 10% minority set-aside in construction contracts.
- o Proposed and enacted legislation to increase minimum wage annually over the next four years.
- o Proposed \$20 billion tax cut with most of cuts for individuals, designed to reduce tax burden of low- and moderate-income individuals.

II. Social Services

- o Proposed comprehensive reform of welfare system which would create 1.4 million public service jobs and would establish a uniform cash assistance program for low-income citizens.
- o Proposed and signed into law a bill to eliminate the purchase requirement for food stamps, thereby enabling millions of additional individuals to participate in the program.
- o Proposed new Child Health Assessment Program (CHAP), designed to provide early detection of disabilities and health problems among children from low-income families.

III. Civil Rights and Equal Opportunity

- o Reorganized Federal equal opportunity enforcement to centralize enforcement in EEOC; proposed one-third increase in budget for EEOC.
- o Issued to every agency and department strongest directive in history on enforcement of Title VI relating to non-discrimination in government-funded programs.
- o Vigorously enforced Executive Order 11246 prohibiting discrimination by federal contractors, resulting in doubling of sanctions taken.
- o Filed an amicus brief in Bakke case supporting affirmative action programs; following decision issued strong directive to departments to continue vigorous implementation of Federal affirmative action programs.
- o For the first time in history, placed White House Office under Title VII provisions which prohibit discrimination in employment
- o Filed first statewide Federal suit to force employment of women and blacks by police and fire departments.

IV. Minority Business

- o Reactivated Interagency Council for Minority Enterprise with charge to vigorously monitor and coordinate Administration programs for increasing participation of minority business in Federal programs.
- o Pledged tripling of Federal procurement from minority businesses to \$3 billion.
- o Placed over \$100 million in Federal deposits into minority-owned banks.
- o Approved 15% "set aside" for minority businesses in construction on the Northeast Corridor railroad.
- o Supported and signed Public Works Act with 10% set aside for minority participation in construction contracts -- present contracts let to minorities under the provision now running at 14%; also proposed 10% minority set aside in Labor-Intensive Public Works proposal in urban policy package.
- o Completed major review of SBA's 8(a) set aside program to increase its effectiveness.

V. Education

- o Proposed largest budget increase for Elementary and Secondary Education Act in history of that legislation, with most of increase targeted for disadvantaged children.
- o Proposed 50% increase in funds for Head Start program.
- o Proposed major increase in student assistance programs to increase aid to low- and middle-income parents and students seeking higher education.
- o Reaffirmed Administration's commitment to continued operation and success of black colleges; President met with heads of black colleges to personally convey that pledge.
- o Proposed new \$400 million program designed to improve the basic skills of disadvantaged children in reading and mathematics.
- o Proposed doubling of funds for advisory groups set up to ease problems of desegregation.

VI. Urban Policy; Housing and Community Development

- o Proposed first comprehensive urban policy in nation's history with emphasis on targeting funds and assistance to areas and people most in need.
- o Created Urban Development Action Grants (UDAG) to allow Secretary of HUD to provide \$1.2 billion over 3 years in project grants to the most distressed urban areas to facilitate urban economic revitalization.
- o Promulgated anti-redlining regulations prohibiting discriminatory mortgage credit packages.
- o Began efforts to insure that Community Development Block Grant (CDBG) funds actually are used to help low- and moderate-income families; supported legislation which increases funds for CDBG by \$12.5 billion over 3 years.
- o Extended Urban Homesteading program to 15 additional cities to help restore neighborhoods while increasing home ownership opportunities for low- and moderate-income families.

VII. Foreign Affairs

- Ameliorated relations with major African states, and increased communication with African and other Third World nations. The general importance of Africa in United States foreign policy has been markedly increased.
- Moved unilaterally to halt exports of commodities and technical data to the military and police forces of South Africa. Committed the United States to observe the United Nations Security Council resolution imposing an arms embargo on South Africa.
- Played an important role in efforts to facilitate negotiations aimed at peaceful settlements of the disputes in Rhodesia/Zimbabwe and Namibia.

THE WHITE HOUSE
WASHINGTON

Sept. 26, '78

Mr. President:

There are several reasons for Hamilton, Frank and myself to strongly recommend forwarding this nomination at this time.

Suffice it to say in this note that the Iowa Bar strongly supports O'Brien and contests the ABA opinion; that the Iowa daily press is questioning the delay on a case-backlogged vacant Judgeship, and that Senator Clark may feel the backlash of any delay on the O'Brien nomination.

O'Brien will be a good nomination -- good for Clark and good for us. If you have any questions on the merit or timing of this situation, I'd be glad to elaborate.

TK

TH

79 180
19
5 21

6:30 PM

THE WHITE HOUSE
WASHINGTON

September 26, 1978

Long - problem
Defeat - further cuts
Floor - greater cut out yrs.
H to 4470 - comply e infl guide
Packard / Danforth want 2 pts
Mike worry re out year costs

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON *JR*
SUBJECT: DINNER WITH MEDIA EXECUTIVES
SEPTEMBER 26, 1978, 6:30P

BACKGROUND:

This is another in the continuing series of informal dinners that you and Mrs. Carter are having for news executives. Tonight's guests include Frank Reynolds of ABC News, Ed Kosner of Newsweek, Joseph Kraft, Haynes Johnson, Paul Duke and Martin Agronsky.

PARTICIPANTS:

Mr. Ed Kosner

Ed was named Editor of Newsweek magazine in 1975, having served as general editor (68-69); national affairs editor (69-72); assistant managing editor (1972); and managing editor (73-75). Began journalism career with the New York Post as rewriter and then as assistant city editor. (Ed was invited when the other folks from Newsweek were in, but was out of the country.)

Sharon
Mr. and Mrs. Martin Agronsky

(wife-Sharon)

Martin is host for the Agronsky at Large program, a once-a-week news analysis, which is broadcast over PBS and WTOP in Washington. Martin is a graduate of Rutgers University and began his career as a general reporter for the Palestine Post (36-37). In 1940 he joined NBC as a war correspondent. From 1943 to 1964 he was a Washington correspondent for ABC. He was Washington correspondent for CBS in 1964 and became Paris bureau chief for CBS in 1964 until 1973. In 1971 he began hosting the Martin Agronsky Evening Edition. Martin is the recipient of the Peabody Award for distinguished reporting and commentary (1952); an Emmy for documentary reporting, "Justice Black and the Constitution" in 1966.

Mr. and Mrs. Polly Joseph Kraft (wife-Polly)

Mr. Kraft is a graduate of Columbia University and Princeton University. In 1951 he joined the Washington Post as an editorial writer. From 1953 to 1957 he served as a staff writer for the New York Times. In 1962 he joined Harper's magazine and was Washington correspondent until 1965. He became a syndicated columnist in 1963. Mr. Kraft was a member of the panel for the Presidential debates in 1976. He is the author of several books, including The Grand Design, Profiles in Power, The Chinese Difference.

Mr. and Mrs. Ruth Paul Duke

Ruth Resnick

(wife-Jon)

see note - ~~attaching~~

Paul is the Washington correspondent for Public Television and host for Washington Week in Review. He is a graduate of the University of Richmond and was a AP reporter in Richmond from 1948 - 1956. In 1959 he was named political reporter for the Wall Street Journal, and was with NBC News from 1964 - 1974. He joined Public Television in 1974.

Mr. Haynes Johnson

Haynes Johnson is a graduate of the University of Missouri and the University of Wisconsin. In 1956 he joined the Wilmington News Journal as a reporter. In 1957 he came to the Washington Star. In 1969 he was named national correspondent for the Washington Post. He was Assistant Managing Editor of the Post from 1973 - 1977. He is presently on a three-month leave of absence from the Post while he is a visiting professor at Yale University. Haynes is the recipient of many journalism awards, including the Grand Award for reporting, 1968; the Pulitzer Prize for national reporting, 1968; Sigma Delta Chi general reporting award, 1969. He is the author of Fulbright: The Dissenter, 1968; Lyndon, 1973; The Working White House, 1975.

Mr. and Mrs. Henrietta Frank Reynolds

(wife-Henrietta)


Frank is the Washington correspondent for ABC Evening News. His career has included stints with WBKT-TV in Chicago (1950); WBBM-TV, Chicago (1951-63); ABC correspondent in Chicago (1963-65). He is a member of the Chicago Council on Foreign Relations.

cc: Mrs. Carter
Gretchen Poston

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON 

SUBJECT: ADDITIONAL POINTS TO BE MADE AT SPERLING
BREAKFAST AND AT MEDIA DINNER TONIGHT

There seems to be a tendency on the part of the press to now credit the Camp David results to every legislative success we are having. Without taking anything away from the magnificent achievement of Camp David, it should be noted that Civil Service Reform, Airline Deregulation, the natural gas compromise and the superb job of putting the natural gas vote together, and the sustaining of the defense authorization veto, were all accomplished before the Camp David success. In fact, some of these things were achieved during the time that the Camp David summit looked like a stalemate at best. Also, note that some of our notable foreign policy victories such as Panama, Turkish arms embargo, and the Mideast arms sale took place weeks and months before Camp David. All these achievements were the result of well planned legislative lobbying and the use of Presidential power and prestige.

See attached.

July 16-17 economic summit in West Germany with no assurance that the United States would soon see even a mildly effective energy policy.

Carter has been forced to retreat on a broad tax-revision proposal that called for a 25-billion-dollar tax cut and curbs on deductions that the President contends unduly benefit the rich. The White House is expected to settle for a smaller reduction of about 15 billion and agree to more cuts going to middle-income taxpayers.

Not only has Congress balked at the administration's plans, but many lawmakers are backing a cutback in capital-gains taxes, a move Carter opposes.

Politicians say that much of Carter's inability to rally the public and Congress to his side can be traced to failures by White House aides to clarify priorities and to answer complaints from Capitol Hill and elsewhere.

A case in point is the President's decision last year to halt funding for a number of water projects he believed were unnecessary. "He just lumped us all together and fired a big salvo," complains a congressional supporter of one project killed by Carter. "At least he could have called and warned us." The President eventually was forced to back down and allow some of the projects to proceed.

Similar confrontations and pullbacks on other issues have disappointed, if not alienated, some of Carter's principal backers, including elements of labor unions, Jews, blacks, women, farmers, even many residents of the President's native South.

A bright future? Carter's supporters contend that such criticism is narrowly based on specific issues and that the President still retains widespread backing among those and other groups for his stands on aiding labor, protecting the environment, reforming the bureaucracy, getting more women and minorities into government, revitalizing the nation's cities and improving the schools.

Despite the President's missteps so far, his aides insist that the future is bright.

The poor ratings in the polls are blamed in part on what the White House's domestic-policy chief, Stuart Eizenstat, describes as a "post-Watergate negativism that pervades the press and the public generally."

Administration officials note that while Carter's job-performance ratings are down, most polls still give him fairly high personal ratings.

The President, while expressing disappointment in the polls, says: "I could very well make every decision ... on the basis of how it would affect me in

18-Month Box Score

Issue by issue, here's how well President Carter has done so far on important goals supported by his administration—

Succeeded Failed Still Undecided

Economic Issues

Hold down inflation		X	
Cut unemployment	✓		
Adopt energy policy			---
Raise farm-price supports	✓		
Cut taxes			---
Reform taxes			---
Balance federal budget			---
Increase minimum wage	✓		
Pass "full employment" plan			---
Raise Social Security taxes	✓		
Contain hospital costs			---

Foreign Policy

Sign strategic-arms-limitation treaty			---
Ratify Panama Canal treaties	✓		
Improve Soviet-American relations		X	
Supply arms to Arabs	✓		
Reduce international arms traffic		X	
Arrange Mideast peace treaty			---
Tighten export controls on nuclear materials	✓		

Other

Get government-reorganization authority	✓		
Reform civil service			---
Create Energy Department	✓		
Establish consumer-protection office		X	
Publicly finance congressional elections			---
Revise federal labor laws			---
Set up national health insurance			---
Reform welfare system			---
Bar forced retirement before age 70	✓		
Revise water policy			---
Improve urban policy			---
Trim defense spending		X	
Regulate strip mining	✓		
Reorganize White House staff	✓		
Stop production of B-1 bomber	✓		
Reduce number of federal agencies to 200		X	
Regulate lobbyists			---
Permit common-situs picketing		X	
Expand college student grants			---
Ease voter registration			---
Deregulate airline industry	✓		
Revamp Federal Criminal Code			---
Allow federal-employee political activity			---
Enact no-fault auto insurance			---
Revise laws on illegal aliens			---
Extend federal employment and training law			---
Create an education department			---
Set higher ethical standards for federal employees			---

U.S. House of Representatives
Democratic Steering and Policy Committee

Sept. 25, 1978

MEMO TO: The Speaker
FROM : Irv Sprague
SUBJECT: Legislative Breakfast, 8 am. Tues.,
White House

Attached is detailed legislative checklist highlights:

1. Energy. You have task force working to ensure House passage of energy package. Awaiting Senate.
2. Taxes. Awaiting Senate.
3. CETA. In conference.
4. Civil Service. In conference. Hope to finish this week.
5. Airline Deregulation. Passed House and Senate. Not yet in conference. Awaiting signal on noise bill.
6. Appropriations. Moving well.
7. Revenue Sharing. Rules Committee Wed. on Senate passed bill.
8. Scheduled this week: Ethics, Highways, DOD Authorization.

THE WHITE HOUSE
WASHINGTON

Phil has
seen

THE WHITE HOUSE
WASHINGTON

9/26/78

Mr. President:

Dr. Horace Tate and three of
his friends from the Georgia Association
of Educators will be in town thursday
and friday. He called today to ask
if he could drop by to say hello.

Should I arrange a time or
postpone to another time?

☒ set up photo session

☐ postpone

Phil

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

26 September 1978

TO: THE PRESIDENT
FROM: RICK HUTCHESON *R.H.*
SUBJECT: Memos Not Submitted

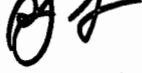
1. JIM McINTYRE sent you a memo on the prospects for passing the Department of Education bill in the House. CL agrees with me that this memo merely recapitulates material already presented to you in Frank's weekly legislative report. ✓
2. ARTHUR BURNS sent you his paper on "The Future of the Free Enterprise System," and extended his congratulations re Camp David. ✓
3. JAY SOLOMON sent you a copy of his testimony before Senator Chiles' subcommittee. ✓
4. BOB LIPSHUTZ MEMO letting you know that the background investigation of Maurice Ferre, whom you have appointed as an alternate delegate to the UNESCO General Conference, turned up a matter which the SEC is investigating. Prospects for criminal action against Ferre are "remote." ✓
The judgment of Lipshutz, Kraft and Moore was therefore to proceed with the nomination.

THE WHITE HOUSE

WASHINGTON

September 23, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ 
RE: Appointment of Maurice A. Ferre, Mayor of
Miami, as an alternate delegate to the UNESCO
General Conference

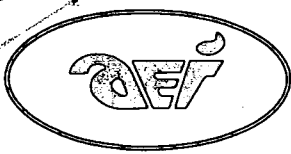
You authorized this appointment pursuant to the recommendation of Tim Kraft and Jim Gammill, with the concurrence of the Vice President and Frank Moore.

In making the usual background check, the State Department ascertained and reported to us an item which I have now investigated further and on which I wish to make the following recommendation.

Apparently, Ferre was involved in very major real estate matters through a family-owned company in Florida, which now has become defunct as a result of the depressed real estate market. We were advised that the Securities and Exchange Commission is investigating the company and the principals for possible violations of the securities laws. However, upon further inquiry, we were advised that this particular investigation is an old matter and not considered of high priority, that there is no prospect for any type of legal action by the Securities and Exchange Commission during the time period in which Ferre would be serving under this particular appointment, that the matter would actually be pursued primarily because a public accounting firm is involved and that is the policy of SEC, and that the likliest action (if any) would be civil with criminal action "remote."

The remainder of the investigation indicates the highest recommendations of Ferre from a substantial number of persons.

Therefore, we have proceeded with preparation of the papers for the appointment which you have signed; it is subject to Senate confirmation.



American Enterprise Institute for Public Policy Research
1150 Seventeenth Street, N.W., Washington, D.C. 20036

(202) 862-5800

Arthur F. Burns

September 21, 1978

RL

The Honorable Jimmy Carter
President of the United States
The White House
Washington, D. C.

Dear Mr. President

The enclosed paper on The Future of the Free Enterprise System will, I believe, be of interest to you. I am presenting it today to an academic and business audience in Memphis.

May I take this opportunity to tell you how deeply moved I am by the agreement between Sadat and Begin that you worked out. My entire family joins in congratulating you on this truly magnificent achievement.

With every good wish to you and Mrs. Carter,

Sincerely yours,

Arthur F. Burns

For release on delivery
Thursday, September 21, 1978
8:30 PM, E.D.T.

The Future of the Free Enterprise System

Address by

Arthur F. Burns

American Enterprise Institute for Public Policy Research
and
Georgetown University

Presented at the

Fifth Frank E. Seidman Distinguished Award in Political Economy Dinner

Southwestern At Memphis

Memphis, Tennessee

September 21, 1978

The Future of the Free Enterprise System

Prediction of the economic future has always been a hazardous task. Noting this fact, a distinguished economic historian, Werner Sombart, once remarked that "it is precisely the most gifted men who have made the most fundamental mistakes" in predicting the economic future. While I am by no means sure that "gifted men" are more prone to misjudge the future than are ordinary mortals, there is ample evidence that judgments of the future even by the ablest economists have often been mistaken.

Karl Marx, who revolutionized economic and political thinking over much of the world, provides an outstanding example.

Marx believed that certain tendencies inherent in capitalism would ultimately lead to its destruction. In his vision, small business firms would gradually disappear as capitalism evolved. The concentration of production in a diminishing number of large enterprises would be accompanied by concentration of wealth in fewer and fewer hands. The middle class would thus be destroyed and the masses proletarianized. Inadequate consumption would lead to recurring epidemics of overproduction, and depressions of increasing severity would follow. As the misery of the proletariat deepened, resistance to capitalist exploitation would intensify and become more militant. With such powerful tendencies at work, the capitalist order was bound to collapse; it was only a matter of time when

the capitalists would be expropriated and all instruments of production socialized.

Thus, according to Marx's theory, the failure of capitalism in its later stages to meet even elementary economic needs of the working masses would inevitably lead, although not without intense struggle, to the replacement of free enterprise by a socialistically planned regime.

In our own century, another great economist, Joseph Schumpeter, brilliantly challenged Marx's analysis. Schumpeter saw in capitalism a highly efficient engine of mass production and mass consumption. In his view the capitalist spirit expresses itself characteristically through innovation--that is, developing new commodities, devising new technologies, harnessing new sources of supply, devising new market strategies, forming new types of organization. The competition of new products and new ways of doing business against old products and customary procedures--that is the essence of the capitalist process. This competition of the new against the old is what really matters in the business world; it has been continuing at a rapid pace, and it accounts for the vast improvement in living standards wherever capitalism has flourished. Indeed, not only economic improvement, but the major achievements of modern times in the sciences and arts are, directly or indirectly, the products of capitalism.

Being a student of business cycles, Schumpeter was well aware of recurring business slumps and their spells of unemployment.

But he regarded recessions as temporary phenomena that paved the way, so to speak, to more effective utilization of resources and therefore to still higher standards of living. He went on to argue, nevertheless, that the great economic and cultural achievements of modern capitalism did not assure its future; on the contrary, the very success of capitalism would eventually cause its replacement by a socialist civilization. He thus accepted Marx's conclusion but not the analysis on which it was based.

According to Schumpeter, capitalism would be destroyed by factors growing out of its own inner processes. As business corporations became larger, they would become bureaucratic and impersonal. The entrepreneurial function of innovating would be largely assumed by trained specialists. Increasing affluence would provide both the means and the will to expand social programs and thus lead to a growing role of government. The intellectual class created and nourished by capitalism would become increasingly hostile to its institutions. Animosity toward free enterprise would be exploited by government officials seeking additional power for themselves. The general public would fail to support free enterprise because the issues debated in the public arena are much too complex and often involve long-range considerations that go beyond popular concern. Even businessmen would become increasingly willing to accept the teachings of their detractors. In this social and political environment, capitalist enterprise would in time be undermined and finally replaced by socialism.

Thus, Schumpeter arrived at precisely the same conclusion as Karl Marx. But whereas Marx attributed the eventual coming of socialism to the failure of capitalism, Schumpeter attributed it to the outstanding success of capitalism.

When we turn from the theories of Marx and Schumpeter to recorded experience, several facts immediately stand out. First, we find that the nations practicing socialism in Marx's and Schumpeter's sense had either banished free enterprise under external military pressure, as in the case of Eastern Europe, or had undergone an internal revolution without ever developing a significant degree of free enterprise, as in the case of the Soviet Union and mainland China.

Second, we find that greater economic success has been generally achieved in nations that extensively practice free enterprise than in nations where it is prohibited or severely limited. The economic performance of the United States, West Germany, and France has been more impressive than that of the Soviet Union or East Germany or Poland. Likewise, the economic performance of Japan, Taiwan, or Brazil has clearly surpassed that of India, Sri Lanka, or Egypt.

Third, although Marx's analysis continues to appeal to many intellectuals, his elaborate theoretical structure has been discredited by experience. Instead of bringing economic misery to the masses, capitalism has produced vast improvements in their economic condition. True, socialism has triumphed in some countries, but the

triumph was achieved in a far different way than Marx had envisaged. On the other hand, Schumpeter's theory that capitalism would eventually be destroyed by its very success in improving the lot of people cannot be dismissed so readily. His prognosis may or may not turn out to be valid. But there is no denying that much of what has happened in recent decades in countries that boast of practicing free enterprise fits rather closely his theoretical model.

Let me speak more specifically about one prominent feature of Schumpeter's analysis--namely, the expanding role of government in economic life. The broad trend of American economic development has been toward increasing emphasis on the service industries, and the government has become the channel through which much of the public's demand for services is satisfied. As our economy has undergone industrialization and urbanization, there has been a steady increase in the interdependence of people--that is, in their reliance on the wisdom and enterprise, and also in their exposure to the folly and indolence, of their neighbors. In such an environment, social and economic problems often arise that cannot be adequately handled by private enterprise and governmental activities therefore tend to expand.

The spread of political democracy has accentuated the trend toward seeking governmental solutions of economic and social problems. With more people in the lower income groups taking advantage of the right to vote and with advocates of all sorts active in legislative halls, demands on the government have been mounting--to eliminate or regulate private monopoly, to conserve natural resources, to strengthen

trade unions, to raise minimum wages, to protect the environment, to improve housing conditions, to protect unwary consumers, to subsidize agriculture or other industries, and so on and on.

The range of governmental activities has thus been steadily expanding and so too has the cost. In 1929 governmental expenditure--that is, the combined total of Federal, State, and local spending--amounted to 11 per cent of the dollar value of our Nation's entire production of goods and services. The corresponding figure rose to 20 per cent in 1940, 23 per cent in 1950, 30 per cent in 1960, 35 per cent in 1970, and 37 per cent in 1977.

The sharply rising trend of governmental spending has, of course, involved a steady increase in the fraction of the nation's labor force that works directly or indirectly for the government. But our government affects the economy not only by employing people or by purchasing supplies and equipment from private industry. In addition, vast sums of money are transferred by the government to individuals not involved in current production--that is, beneficiaries of public retirement funds, unemployment insurance, medicare, aid to veterans, food stamps, etc. And our government also affects the economy by guaranteeing a variety of private loans and by regulating numerous industrial, commercial, and financial practices.

All these activities, particularly transfer payments and governmental regulation, have grown by leaps and bounds in recent years.

Transfer payments, which were merely 3 per cent as large as the Nation's total wage and salary bill in 1930, rose to 11 per cent by 1965 and reached 21 per cent in 1977. The Federal Register, which records governmental regulations, ran to 3,400 pages in 1937, but swelled to about 10,000 pages in 1953 and to 65,000 pages in 1977. At least 90 Federal agencies are now involved in issuing governmental regulations. Funds allocated for regulation in this year's Federal budget amount to \$4.5 billion--more than twice the expenditure in 1974. This figure, of course, omits the expenditures on regulation by our State and local governments. And it omits also the enormous costs of compliance imposed on private industry. According to a recent investigation by the Center for the Study of American Business at Washington University, these compliance costs amounted to \$63 billion in 1976.

The proliferation and increasing cost of governmental activities in our country have resulted in a growing burden of taxation--higher income taxes, higher sales taxes, higher property taxes, higher social security taxes. Even so, the willingness of our government to raise revenue by taxation has fallen distinctly short of its propensity to spend.

Since 1950 the Federal budget has been in balance in only five years. Since 1970 a deficit has occurred in every year. Budget deficits have thus become a chronic condition of Federal finance; they have been incurred in years when business conditions were poor and also when business was booming. Not only that, but the deficits have been mounting in size. In the fiscal year now ending, the deficit is likely to

exceed \$60 billion when "off-budget" outlays are included in the total--as they indeed should be. Instead of vanishing or diminishing as the economy improves, which was once accepted practice, the deficit has been increasing in the course of the current economic expansion.

The persistence of substantial deficits in our Federal finances is mainly responsible for the serious inflation that got under way in our country in the mid-sixties. Let us never forget the simple fact that when the government runs a budget deficit, it pumps more money into the pocketbooks of people than it takes out of their pocketbooks. That is the way a serious inflation is typically started and later nourished. And when the deficit increases at a time of economic expansion, as it has been doing lately, we should not be surprised to find the rate of inflation quickening. Of course, other factors--particularly, money creation by our central bank and the power wielded by trade unions--have played their part in the inflationary process.

The growing intervention of government in economic affairs that has taken place in the United States has been matched or exceeded by similar developments in other countries that we think of as continuing to practice free enterprise. The causes of this increasing penetration of government into the economic life of individual countries have been broadly similar--namely, industrialization and urbanization, increasing interdependence of people, faster communication through radio and television, rising expectations of people, wider participation

of citizens in the political arena, and increasing reliance on government for the solution of economic and social problems.

The degree of government participation in economic life has thus been increasing in every industrial country outside the Socialist sphere. To cite some examples: government expenditure in the United Kingdom amounted to 34 per cent of the gross domestic product in 1962 and to 44 per cent in 1975. Corresponding figures in the case of West Germany are 34 and 42 per cent; in the case of France, 36 and 40 per cent; in the case of Canada, 29 and 41 per cent; in the case of Australia, 24 and 32 per cent. A similar trend appears also in Japan; but it is worth noting that governmental spending amounted to only 23 per cent of the gross domestic product of Japan in 1975--a substantially lower figure than in any other major industrial country.

And just as the rapid expansion of governmental activities in the United States has been accompanied by persistent budget deficits, that too has happened in other industrial countries. Indeed, loose governmental finance and rapid inflation have often been practiced more intensively outside the United States, and they have recently become characteristic features of major economies that still boast of free enterprise.

The world-wide inflation that has been under way since the late 1960's has become a serious threat to the free enterprise system. The fact that inflation masks underlying economic realities makes it all the more insidious. For example, the trend of retail trade and housing

starts began to weaken in the United States early in 1973, but many members of the business community paid little attention to that ominous development. Nor did they recognize that standard accounting practices, which rely on historical costs in reckoning inventories and capital consumption, were resulting in enormous overstatements of their profits. Caught up in the euphoria of inflation, they built up inventories out of all proportion to actual or prospective sales, and thus set the stage for the subsequent sharp decline of production and employment. What happened in the United States was paralleled in greater or lesser degree in European industrial countries and in Japan.

The corrosive effects of inflation go far beyond the distortion of businessmen's perspective. Inflation erodes the purchasing power of everyone's money income. Inflation weakens the willingness of many people to save for the future. Inflation drives up the level of interest rates. And once businessmen become aware of the illusory element in profits, inflation adds to uncertainty about the future. In an inflation-ridden environment, businessmen have no good way of judging what their costs of production may turn out to be, or what prices they may be able to charge, or what profits, if any, will accrue when they undertake new investments. The risk premium that attaches to calculations of prospective profits from new investments therefore goes up. This discourages business capital investment and hampers the improvement of productivity.

Nor is that all. As the effects of inflation spread across the economy, they in time weaken the capital market. The classical view that inflation tends to favor business profits and therefore higher stock prices no longer fits today's world of powerful trade unions, high interest rates, and a governmental bias toward consumption. Recent experience in the United States and in other countries has demonstrated that persistent inflation adversely affects stock prices as well as bond prices. Even now, despite the recent upsurge in stock prices, the Dow-Jones industrial average is below the level reached in 1965; and in view of the huge rise in the general price level since then, the stock market has obviously suffered a severe depression.

As a result of the disappointing performance of the stock exchanges, the interest of investors in equity securities has greatly diminished during recent years. Some wealthy individuals, seeking a refuge from inflation, have turned to investing in works of art, or in real estate, or in foreign currencies, gold or other commodities. Many members of the middle class, being similarly disillusioned with equities, have sought an inflation hedge by purchasing a home or an extra house when they already owned one. But the many millions who lack financial sophistication, and even some who possess it, have found no better way to protect themselves against the ravages of inflation than to let cash pile up in the form of bank deposits or other liquid assets--with the result that the purchasing power of their monetary savings has generally kept eroding.

Many professional money managers, likewise discouraged by the behavior of common stock prices, have found solace in the high yields that have become available on corporate and government bonds. And they have also displayed some tendency to shorten the maturity of their investments, so that they could shift to higher-yield securities if faster inflation served to raise interest rates another notch or two in the future. With institutional as well as individual investors switching from common stocks to other investments, brokerage firms and investment advisory services have suffered reverses. Numerous firms of this type have closed down their operations or sold out to more enterprising members of their industry. These in turn have reacted to the declining interest in equities by becoming department stores of finance--that is, by offering to their troubled customers stock options, commodity futures, municipal bond funds, money market funds, tax shelters, and so on, in addition to the more traditional services. Adjustments of this type have enabled some brokerage and advisory firms to survive and even to prosper.

But what matters most for the future of our economy is the erosion of investor interest in equity issues. In 1965 corporate shares constituted over 43 per cent of all financial assets of American households; by 1977 they were down to 25 per cent. Between 1970 and 1975 the number of individual shareowners in our country fell from about 31 million to 25 million. More significant still, this decline was concentrated among young and middle-aged people. Net purchases of equity issues by private pension funds have also slumped in recent years. So-called "equity kickers",

once a prominent feature of loans placed by insurance firms, have practically vanished. As a result of this declining interest in equities, the supply of venture capital has drastically diminished in our country. Public issues by small firms have dwindled and we rarely hear nowadays of the formation of new high-technology companies.

If the scepticism about equities that has marked recent years continues in the future, it will become difficult even for some well-established corporations to finance their long-term investment projects. This difficulty will be accentuated if internally generated funds continue to provide a reduced share of total financing needs--as has been the case during the past decade of high inflation. Furthermore, if business firms are forced to rely more heavily on short-term funds, the corporate economy will become more vulnerable to financial strains in the future. In such an environment a business recession could be even more disruptive than the recession we recently experienced.

In short, the changes wrought by inflation have already weakened the framework of our economic system. They threaten to do so to a greater degree if the inflationary bias of the economy is extended. I judge from the sluggishness of stock exchanges in other major industrial countries during the past decade that, with the exception of Japan, their experience has been similar to that of the United States. If inflationary trends should persist, the economies of these countries will also face a very uncertain future.

Serious as these longer-range economic consequences of inflation appear to be, there is even greater reason for concern about

its impact on social and political institutions. Inflation has capricious effects on the distribution of income and wealth among a Nation's families and businesses. Inflation eventually leads to recession and extensive unemployment, and such adversities are generally followed by new measures of governmental intervention. Inflation robs people who in their desire to be self-reliant have set aside funds for the education of their children or their own retirement. Inflation hits many of the poor and elderly especially hard. More ominous still, by causing disillusionment and breeding discontent, inflation excites doubts among people about themselves, about their government, and about the free enterprise system itself.

Such anxieties tend to spread from one country to another. In particular, when the value of our own dollar depreciates in foreign exchange markets, as has happened again during the past two years, confidence in the international economy as well as in our own tends to weaken. The ultimate consequence of persistent inflation may therefore be a decline in both the scope and the efficiency of free enterprise on a world-wide scale.

At the beginning of this address, I reviewed the theories of capitalist evolution by Marx and Schumpeter. It is interesting to observe that while Marx visualized numerous developments that would weaken capitalism, persistent inflation was not among them. Nor was this threat to our free enterprise system foreseen by Schumpeter. Nor, for that matter, was it foreseen by Keynes; both he and his early followers were concerned about vanishing investment opportunities and unemployment, not about inflation. These failures of economic vision counsel humility in

any judgments about the future; and yet I keep wondering whether the inflationary development that Schumpeter had failed to foresee may not be reinforcing the very processes on which he dwelt so provocatively.

Ours is still a dynamic and prosperous economy, but the prosperity around us has become uneasy and even joyless to many thoughtful citizens. Inflation is certainly our Nation's main economic problem, but it is by no means the only economic problem. Unlike earlier times, when we were troubled either by inflation or by unemployment, we have experienced in recent times a disconcerting rise of the general price level even when unemployment was extensive. And our social economy has been beset by other problems--among them a growing burden of taxes, excessive governmental regulation, excessive power of labor, restrictive business practices, depressed business profits, deteriorating central-city areas, decline of the work ethic, and widespread crime. Not all of these ills can be ascribed to inflation. And yet this factor has had a more ramifying influence on our economy than may appear at first glance.

I have already observed that inflation ultimately leads to recession. In turn, extensive unemployment creates an environment that is favorable to new or larger welfare programs and other increases in governmental spending--increases that often outlast the recession. Again, it is at least partly because of inflation that workers, particularly when they are well organized, can achieve increases in wages that far exceed improvements in productivity. It is at least partly because of inflation that the statutory minimum wage keeps rising--thereby causing unemployment among young people and breeding crime. It is at least partly

because of inflation that many of our cities have suffered physical and cultural deterioration. And, needless to add, the poverty that persists in the midst of our plenty is in no small degree attributable to inflation.

The burden of taxes has also risen because of inflation. Although deficits at the Federal level of government have become our way of life, taxes have increased along with expenditures. Indeed, Federal revenues fell below 90 per cent of Federal expenditures in only seven years since 1946. Since our individual income tax is highly progressive, the tax burden on workers goes up, just as if Congress had legislated higher taxes, even when real wages remain constant--that is, when wages in dollars simply keep pace with increases in the consumer price level. The corporate income tax, to be sure, is essentially proportional; but under conventional accounting techniques, inflation creates phantom profits on which corporations have been paying many billions of dollars in taxes. And the consequences of inflation for the capital gains tax have been still more drastic. A recent study by Professor Martin Feldstein of Harvard indicates that in 1973 individuals paid taxes on more than \$4.5 billion of capital gains from corporate shares; but when the costs of the shares are adjusted for increases in the general price level, it turns out that these individuals actually experienced a real capital loss of nearly \$1 billion.

Human nature inevitably takes its toll. If intense effort or large financial risks are no longer compensated by the possibility

of earning large rewards, the effort and the risks will be less readily undertaken. That is the condition toward which we have been generally moving. And it is precisely because a grim future may eventually become our lot and that of other nations still enjoying freedom that big government and the disease of inflation that comes in its train must be resisted by an alert citizenry. This need is now more widely appreciated than at any time since World War II, but it is not yet understood widely enough.

There are some faint flickerings, however, that the American people are becoming less passive about the dangers facing our Nation. The recent tax revolt of California citizens may be a symptom of a general awakening of the middle class. Of late, many politicians have been vying with one another in proclaiming inflation as our Number One problem. Trade unions have been unable to persuade Congress this year that their market power needs strengthening. Much is heard these days in Congressional halls about the importance of reducing business taxes. A move to cut back rather than increase the tax on capital gains has won widespread support. And of late we have even witnessed some minor reductions within the still swelling total of Federal expenditures.

These are interesting and promising events. As yet, they are much too tenuous and uncertain to justify extrapolation. They nevertheless suggest that the time may be right for a serious attack on the inflation that has been plaguing our country. That will not be an easy task, but it will be even harder if we hesitate or delay. Once an

economy has become engulfed by expectations of inflation, economic policy makers no longer have very good choices. Still, much can in time be accomplished with determined leadership.

Restrictive monetary and fiscal policies, if pushed far enough, are always capable of bringing inflation under control; they might, however, also unsettle the economy by bringing on extensive unemployment. To minimize that risk, it would be wise to supplement monetary and fiscal policies with carefully selected structural policies. A prescription for a balanced attack on the inflation problem might therefore run as follows in today's environment: first, that the Federal Reserve continue its present moderately restrictive monetary policy without interference by the Congress or the White House; second, that the budget for next year permit a substantial cut in the Federal deficit and that the move toward budgetary balance be completed within the following two years; third, that this and next year's increase in the salaries of Federal employees be scaled down to one-half the figure suggested by wage comparability studies; fourth, that the President cut his own salary by, say, 10 per cent and call on all Presidential appointees and members of Congress to do likewise; fifth, that the President reinforce these examples for the Nation by calling on top corporate executives to refrain from any increase in their compensation over the next two years; sixth, that a national center be promptly established for encouraging the organization of productivity councils across the nation, factory by factory and shop by shop, with a view to cooperation by management and labor in

raising output per manhour; seventh, that we make a start towards blunting the cost-raising measures that we have allowed to flourish--such as tariffs, import quotas, farm price supports, and minimum wage laws, and that we also postpone the target dates that have been set for environmental and safety regulations.

In the course of my remarks this evening I have dwelt on the corrosive influence of inflation because I consider this the greatest danger to our free enterprise system. I am convinced that inflation is a disease that can be brought under control; but that will happen only when the will to do so becomes strong enough. In our country there is a powerful political constituency behind each of the government's spending programs, behind every tariff and import quota, behind every regulation that protects a particular group from the pressures of competition. We have powerful political constituencies in favor of perennially easy credit. We have powerful political constituencies in favor of other public or private arrangements that benefit some groups but raise prices to everyone. Our urgent need now is for a nationwide constituency that will fight for the paramount interest that we as a people have in a dollar of stable purchasing power.

Other nations--notably, Germany, Switzerland, and Japan--have demonstrated that inflation can be unwound. Even Great Britain has recently succeeded in reducing its inflation rate sharply. If we and other

inflation-ridden nations succeed in curbing inflation within the framework of our basic institutions, we may yet experience a true economic renaissance in the Western world. On the other hand, if the present world-wide inflation continues, a command economy may eventually be the bitter fruit of this generation's complacency and neglect. It is the duty of each of us to do what we can to prevent this from happening.

THE WHITE HOUSE
WASHINGTON

Hall
for summary



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 25 1978

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *J.T.M.*
Frank Moore *F.M. / Mr. Francis*

SUBJECT: Department of Education - Status and
Prospects for House Passage

The purpose of this memorandum is to bring you up-to-date on developments regarding the Department of Education bill.

At the time of our last memo to you on this bill (August 17, 1978), we were bogged down in a bi-partisan filibuster of the bill in the House Government Operations Committee markup. With Jack Brooks' assistance and a great deal of hard work by our staffs and the education groups led by the National Education Association (NEA), the bill was reported before the Labor Day recess. We did not change our position of opposition to the amendments transferring vocational rehabilitation programs from HEW to the Department of Education. But because the transfer has overwhelming support in both houses and because strong support from the vocational rehabilitation groups may be necessary to spur House floor action, the Administration will not actively oppose the transfer.

Since the recess, we have made additional progress towards passage in the House and Senate. The House Rules Committee granted a rule for the bill. In the Senate, after two days of delaying maneuvers by Republicans, Senator Byrd secured a time agreement on the bill. Byrd has indicated to us and to the Speaker that he hopes to pass the bill early this week; and the Speaker indicated last week that he will place the bill on the House calendar after the Senate vote.

Despite our success thus far, and the likelihood that the bill will soon pass the Senate by an overwhelming vote, we are confronted with a very serious problem in the House. Our problem is not a lack of votes necessary to pass the bill; rather, it is the lack of time remaining in the session. The problem is compounded by:

- threatened delaying tactics on the floor;
- substantial opposition by the AFL-CIO;
- the absence of strong advocates for the bill among influential House Democrats.

John Erlenborn (R-Ill) has already served notice that if the bill is brought to the floor, he will use parliamentary tactics to delay consideration of the bill. Unfortunately, it is likely that some Democrats (Rosenthal, Chisholm and Ryan) may join in efforts to delay the bill. If a full-blown delaying strategy should develop, it could take two to three full days on the House floor to pass the Department of Education bill. We will be working with the Speaker to develop a strategy with House Democrats to counter the delay.

While the AFL-CIO was relatively inactive during the early stages of the bill's consideration, their representatives joined the American Federation of Teachers (AFT) in an effort to block the bill in the House Rules Committee. They may mount a major campaign on the floor. The AFL-CIO position is the outgrowth of union politics involving the American Federation of Teachers' jurisdictional battle with NEA and, in our judgment, cannot be changed by White House pressure. The AFL-CIO opposition is even more significant at this time in the session because it may result in the bill pitting Democrats against one another -- an anathema to the House Leadership in an election year.

Up until now no influential Democrat seems willing to spend much political capital on passage of the bill this year.

It is possible that much of this may change this week. For one thing, nearly 400 National Education Association members, including its political action committee and its entire national board of directors, are scheduled to come to Washington this week. The National Education Association can be expected to mount a vigorous effort in the House, which will undoubtedly include leverage through campaign activities this fall.

Assuming the bill passes the Senate this week and regardless of how our prospects in the House may look, we will, of course, maintain a public posture of support for the bill. We have tentatively scheduled a series of activities to increase momentum for passage. We recommend that you not become directly involved at this time.

Among the activities that we are seeking to initiate this week are:

- (a) a head count of all Democrats to determine the nature and extent of opposition to the bill. We believe that we have the votes to pass the bill, but do not know how vigorous the opposition will be;
- (b) a meeting with representatives of major civil rights groups to attempt to allay their fears regarding the bill;
- (c) a White House briefing for the National Education Association members in town this week. This will be scheduled for Wednesday or Thursday to hopefully coincide with Senate passage of the bill.

In addition, we are trying to arrange a meeting between Speaker O'Neill and some of the influential House Democrats whose active support is necessary if the bill is to have any real chance of House passage. These Members include John Brademas, Carl Perkins, Frank Thompson, Bill Ford and Jack Brooks.

Finally, it is important to recognize that while the obstacles in our path this year are formidable, prospects for next year may be worse.

For one thing, we cannot be certain that Jack Brooks will be willing to undertake this project next year. Secondly, this, as a major reorganization initiative, may interfere with other initiatives for next year which have greater promise to reduce the cost and complexity of government. With the 1980 elections approaching, Senate Republicans can be expected to become increasingly partisan and, as a result, it may take even greater resources next year to pass the bill.



United States of America
General Services Administration
Washington, D.C. 20405

Administrator

RL
September 20, 1978

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

I want to share with you the statements I made yesterday at Senator Lawton Chiles' subcommittee hearings.

I shall not waiver in my commitment to you to tirelessly work towards the realization of our aspiration for an honest, decent, and efficient Government. Your continued support of my efforts to steer GSA in the right direction will be essential.

Yours very truly,

JAY SOLOMON
Administrator

The signature of Jay Solomon is written in a large, cursive, handwritten style, overlapping the printed name and title.

Enclosure

STATEMENT

BY

Jay Solomon, Administrator
General Services Administration

Before the

COMMITTEE ON GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON FEDERAL SPENDING
PRACTICES AND OPEN GOVERNMENT

September 19, 1978

Mr. Chairman, my name is Jay Solomon. I'm a businessman from Chattanooga, Tennessee, who is Administrator of General Services. It was just 88 days ago that I appeared before your Committee and expressed my dismay at the problems I inherited when I came to the Federal government at GSA. I don't know whether any man can walk into a Federal agency of the size and complexity of GSA and put it on a sound business-like basis overnight. But I am sure going to continue to do my best.

You must remember that I am a businessman and not a bureaucrat. I believe that only through a business-like government can there be economic and social profit for the people. I believe it is in the best interest of the nation to have an expanding economy brought about by efficiency and honesty in government. And I also believe it takes a strong-willed, hardheaded businessman to provide the kind of leadership required to get a tough job done.

This has been a tough job. An Administrator of GSA needs a concept of our entire Federal government: its pain, its politics, its vision, its blindness, its needs. At times it is easy to become frustrated and cynical, but when I answered the call to public service it was because of President Carter's dream of making our government honest and efficient. Many times on the campaign trail, I heard him say "...The American people believe in

tough, competent management ... We've seen evolve a bloated, confused bureaucratic mess. We ought not to lower our standards in government. Our government in Washington ought to be an inspiration to us all and not a source of shame."

The President's inspiration then and his support have sustained me through difficult days. I should like to read to you the memo I received from President Carter on July 24, 1978:

"Corruption in Government is intolerable. For that reason I am deeply disturbed by the allegations of wrongdoing within the General Services Administration that have recently come to my attention.

These allegations describe a pattern of misconduct extending over many years and ranging from abuse of Federal authority to criminal practices such as fraud. If these charges are true, an extremely serious breach of the public trust has occurred.

I support and commend the steps you have taken so far to bring this matter to light and to bring those responsible to justice. I will back you fully in whatever procedural, personnel, organization, and other actions are needed.

To these ends, by copy of this memorandum, I am asking the Attorney General to provide you with whatever assistance you

and others in GSA who are responsible for conducting these investigations may require, both to complete your investigations and to take appropriate and rapid remedial measures."

I guess I have a liking for causes. I cannot stand aloof from the times. I decided to be an integral part of it. But if I thought for a moment that I did not enjoy the full support of the President, I would head back to Chattanooga, Tennessee.

Mr. Chairman, I didn't come to Washington to scale the heights and light some fires, but rather to put into motion a new philosophy, a new spirit of pragmatic idealism in our federal institution. I came to Washington to apply the best practices of business to government and rid government of the worst practices of "business as usual."

I am trying to solve not only the problems of today, but I am looking beyond at tomorrow. I am looking at what GSA is, and what it was meant to be by its founder, the Hoover Commission. Compared to the great Cabinet Departments, GSA is not very large or important. But in our society, honest business-like principles seem to have a habit of taking root in small places and eventually casting their sunlight over the land.

Since I came to GSA, and with increased emphasis in the last few months, I have brought about as many improvements and reforms as could be made

without risking the basic structure of this agency and, therefore, the ultimate usefulness of the reforms themselves. The conduct of a small minority of the employees of this agency has dishonored American traditions and destroyed the morale of many loyal government employees. The conduct of this small minority has been hard to take, and the drumbeat of conscientious media has not quieted the pain.

I am not here today to apologize for those few, but to speak with pride about an agency which has made a dramatic turn in the right direction and has gained strength from the moral backbone I have tried so hard to provide. This undertaking I know cannot be accomplished without dangers and bitterness. We must accept the dangers, but regret the bitterness.

In the past three months, I've talked to thousands of GSA employees in the central office and in two of the largest of the agency's 10 regions. I spoke to them quite frankly about the problems, and my hopes and expectations of setting GSA on a proper course. They told me of their difficulties and concerns...and they shared my hopes.

Their hopes are expressed in an editorial which the head of one of the unions representing GSA employees sent to his members. The editorial addressed to me said: "We admire you for asserting leadership...you and the agency are unquestionably entitled to the loyalty and support of all sincere employees..." The union message closed by pleading "Don't let

us and the Agency down, Mr. Solomon." This leaves me with the firm belief that we can work together to finish cleaning up this mess and correcting the faulty system that allowed it to exist for so long.

I suppose if a charge can be leveled at me, it is for being too tolerant during my early days in the agency. But tolerance must give way to an even sterner, loftier, ideal justice. Justice for the "whistleblowers" who are unfairly wronged, and justice for the corrupt who are under investigation.

Nothing illustrates more dramatically the new course we have charted than the reinstatement of the whistleblowers.

GSA made history by being the first Federal agency voluntarily to reinstate persons who "blew the whistle" on wrongdoing and mismanagement. Senator Patrick Leahy wisely said of the action, "the final beneficiary will be the American people."

By providing Federal employees with a mechanism to help identify and isolate problems of mismanagement and corruption, we are truly responding to a mandate from the people. That mandate requires that we provide better government. We are also telling people we can keep our own house clean and that we will do it publicly and in a manner which will be worthy of their trust.

Mr. Chairman, one note of caution, GSA is today sitting in exile like a wounded animal. It is surrounded by the vigilant media, the disgruntled, the corrupters, and by turf conscious bureaucrats from other agencies. These bureaucrats would like to put an end to the cost-effective concept of centralized administrative services, as was envisioned by the Hoover Commission in creating GSA. I do not wish to belabor the accomplishments of GSA in the past 88 days, although I am quite cautiously proud and pleased with our progress. I do want to highlight a few major changes in procedure and personnel which I believe will have a lasting impact.

1. When I came to GSA, there was no policy of commitment regarding the reinstatement of those people who were unfairly demoted or dismissed because of their willingness to speak up and tell the truth about problems in GSA. I have changed all that. Now people should feel free to report questionable practices at GSA without punishment, and I urge them to do so.

2. When I came to GSA, there were no firm procedural guidelines restricting sole source procurement. Today, these procedures exist, and sole source procurement has been substantially reduced. Exceptions can only be made at the Regional Administrator level.

3. When I came to GSA, there was no centralization of its budget function. Since 1968, GSA has functioned with a weak financial structure. This has now been changed by me. I have created an office of the Controller-Director of Administration which has responsibility for centralization of all budget functions of this agency.

Furthermore, I have directed the Controller-Director of Administration to develop a comprehensive financial management improvement plan with an accompanying timetable for immediate implementation.

4. When I came to GSA, there was no Special Counsel or Office of the Inspector General. We now have Special Counsel and are creating an Office of Inspector General. This office will consist of an Inspector General, appointed by the President and approved by the Senate--pending approval of legislation by the Congress which I support-- an Office of Audits, an Office of Investigations, and new Offices of Inspection and Complaints. The request for increased staffing has been submitted to OMB.

5. When I came to GSA, there was no mechanism for review of all GSA procurement practices, nor was there an Office of Acquisition Policy. This has now been changed. We now have an Office of Acquisition Policy, which will develop and issue acquisition policies. It will prescribe and monitor development of specific plans for the accomplishment of major contracts, and review the entire procurement

process of GSA. It will also be responsible for the implementation of OMB Circulars A-109 and A-76. Lastly, but most importantly, it will arrange for our Office of Audits to conduct pre-audit and post-audit services on GSA contracts.

6. When I came to GSA, reports of major audits conducted both internally and by GAO were given cursory attention by the management of this agency. Many times these reports were put on a shelf to gather dust. Now this has been changed. I have instructed the Director of Audits to prepare a quarterly briefing on all open audit reports to inform me as to what corrective actions have been recommended.

7. When I came to GSA, the delegation of authority system presented serious problems. Authority was neither controlled nor standardized. Low level employees had unilateral authority to commit GSA to multi-million dollar transactions on the one hand, while in another branch of GSA, the proposed sale of a specific type of surplus personal property valued at only \$100 required the approval of a Commissioner. This has now been changed. A study was undertaken at my direction, and recommendations from the study have been implemented to create a consistent system of delegated authority with stringent restrictions.

8. When I came to GSA, I found that unlike the Defense Procurement Agency, there had been little mobility of procurement and contracting officers. I have made major personnel realignments, both within my

immediate office and within the GSA's biggest region here in Washington. In the past several weeks 80 employees in this region alone have been reassigned. They are either buildings management employees or were connected with the self-service store operation.

9. When I came to GSA, I found that several significant studies that were critical of GSA's actions, and that presented excellent recommendations for improvement, had been put high upon the shelf. This is now changed. I have taken these studies down off the shelf, blown the dust off of them, and am now implementing many of the recommendations in the area of space management, financial management, and procurement. These were done by such experts as Peat, Marwick, Mitchell and Company and Don Sowell Associates, Incorporated. These studies, whose recommendations were previously ignored, have provided many of the solutions to the problems that have been identified at GSA.

10. When I came to GSA, there had not been conducted a study of administrative costs and general overhead of our two biggest services-- The Public Buildings Service and The Federal Supply Service. Although this study is still in draft form, it bears out my deepest suspicions that exceptional amounts of manpower have been devoted to administrative trivia. Meanwhile, program needs such as procurement review and review of architectural drawings are not adequately staffed.

11. When I came to GSA, the certification of contracting officers was poor. This has been changed. We plan to train over 9,000 individuals in the last quarter of Fiscal Year 1978 and in Fiscal Year 1979.

12. When I came to GSA, discipline within the ranks at this agency was noticeably poor. This has now been changed. I have instructed the Director of Personnel to enforce vigorously our present guidelines for dealing with employees who break the laws or regulations or fail to do their jobs competently.

13. When I came to GSA, there were no adequate inspection teams to stop defalcation and other deficiencies. This has now been changed. I established a Contract Assurance Task Force in the Public Buildings Service, not only in the central office but in each of our ten regional offices.

14. When I came to GSA, there were two separate staffs in the Office of the Administrator and the Deputy Administrator. This I have changed. There is now one staff which provides unity in agency command, eliminates confusion, and reduces total staff requirements.

15. When I came to GSA, the function of disposal of real and personal property and stockpile materials was spread through three different services within GSA. This has now been changed. I have created The

Federal Property Resource Service. This action will improve oversight and allow the Commissioners of Public Buildings Service and Federal Supply Service to concentrate on their primary functions.

16. When I came to GSA, we were disposing of stockpile materials based on procedures which had evolved over the years without review. This has now been changed. I established a Stockpile Advisory Panel comprised of businessmen, experts from universities, etc. This panel met in August to recommend improved methods for handling stockpile materials. A report will be provided this committee within the next several weeks. Pending completion of this report, I have suspended the sale of stockpile materials, except by competitive invitation for bid.

17. When I came to GSA, I had heard all the horror stories about the roof at the Kennedy Center and yet there was no provision for full time roofing inspection. This has now been changed. I have directed that all roofing projects should have the service of qualified roofing inspectors from initial design to final acceptance.

18. When I came to GSA, there was no retainage of payment due to contractors on construction contracts. This has now been changed. I have instituted a common business policy of retaining five percent of the estimated amount due on construction contracts until all the work is substantially completed.

19. When I came to GSA, there was no procedure to review current leases to ensure that the terms of the leases were being followed. I have instituted a procedure to review current leases. In the short time this procedure has been in operation, we have issued three letters through which we expect to recover over \$200,000 for the taxpayers. Another 40 cases are under scrutiny. I expect to take more action in the next 30 days.

These actions will include:

- A thorough review of multiple award schedules
- The application of the "Account Executive" concept to delivery of GSA space
- The structural reorganization of the Agency for maximum effectiveness and management control and accountability
- A continuing review of delegated authorities, employee standards of ethics, and conflict of interest
- A vigorous exercise of GSA's oversight responsibilities
- Manpower utilization studies
- Development of strong, reliable information systems

These examples illustrate rather dramatically the intense state of change that has characterized life at GSA during the three months since I first appeared before this Committee. I must sincerely thank this Committee for bringing many of these problems into focus for me, and more importantly for providing a forum of dignity in which these things can be aired.

Quite frankly, I've had to move boldly and swiftly to cope with the problems, which are still enormous. It hasn't been easy and I know the road ahead is a long and treacherous one.

Day after day the uncovering of scandal stretching back many years into GSA's young life may represent only the tip of a gigantic iceberg yet to descend upon us. The fraud, the corruption, the thievery, the mismanagement and downright abuse of the public trust that have been exposed to this date are only the beginning. The ugly and disgusting saga will further unfold during the days ahead at GSA. And the actions I've taken to date to deal with these problems, likewise, are only a beginning.

In conclusion, Mr. Chairman, the constructive spirit of the Hoover Commission must not die here. It must not be abandoned as unmanageable. I hope, Mr. Chairman, that GSA can be recognized as an agency which understands its problems, which is acting on its problems, and which is not taking the "business as usual" easiest way out of sweeping its problems under the rug.

Given the full support of Congress and the Executive Branch and the nation's citizens, we will be able to set our own house in order without having to burn it down. When the klieg lights die, there is the stark reality of the staggering responsibility for the management and direction of 36,000 employees.

I'm Jay Solomon, a businessman from Chattanooga, Tennessee, who is Administrator of General Services. President Carter gave me this responsibility. I cannot promise you miraculous solutions with the stroke of a pen, but I can promise you hard work, and backbreaking effort to bring to this agency the realization of President Jimmy Carter's highest aspiration for an honest, decent, and efficient government.

Mr. Chairman, that concludes my prepared statement. I would be happy to answer any questions you might have.

September 26, 1978

To Shirley Turtelot

Rosalynn and I were deeply saddened to hear of Bill's tragic death. We extend our deepest sympathy to you and your family in your great loss.

Bill was a wonderful friend. We hope that our prayers and good wishes will help to sustain and comfort you in the days ahead.

Sincerely,

JIMMY CARTER

Mrs. William Turtelot
Post Office Box 1074
Smyrna, Georgia 30080

JC/jmc/cbs

RECEIVED

SEP 28 1978

20 handwritten letters, etc. to the President

7809271100

THE WHITE HOUSE
WASHINGTON

9/26/78
1:30 p.m.

Mr. President/RSC --

Al Burris called, very tired and
very sad.

His pilot, Bill Turtelot, died over
the weekend in a crash which occurred
while he was administering an FAA test.
(They don't yet know what happened.)

Memorial services were yesterday.
(They haven't released the body
pending thorough investigation which
includes "thorough" autopsy, etc....
hence, no funeral yet....(Al's been
trying to get body released to no
avail.))

Attached is condolence letter.
Do you think RSC would like to
send flowers?...sign note?...
just know about?

-- Susan

*Call
know
Shirley
J*
*Let
Al
Jue
Shirley
J*
*Has
to
let him
know, then*

September 25, 1978

C

MEMO TO: The Speaker
FROM : Irv Sprague
SUBJECT: Legislation

The following memo should be of assistance as you make the choices of what to schedule in the October 1-13 period.

MUST BE DONE

1. Energy

- a. Natural Gas conference. Senate acts Sept. 27.
- b. Public Utility Rate conference.
- c. Energy Conservation conference. (Meet Sept. 28 on gas guzzler issue.)
- d. Coal Conversion. (Senate passed conference report.)
- e. Energy Taxes. (Senator Long will reconvene conference this week.)

2. Taxes

Passed House. In Senate committee markup. Senator Long expects to conclude markup early this week.

3. Appropriations

- a. Agriculture. Conference report House Floor Tuesday.
- b. State-Justice. Conference report House Floor Tuesday.
- c. Continuing Resolution. House Floor Tuesday.
 - 1- Defense and Labor-HEW only.
 - 2- Includes abortion language.
 - 3- Limits CETA to House-passed rate.
 - 4- Extends to March 31, 1979.
 - 5- Senate could add countercyclical revenue sharing.
 - 6- Possible vehicle for Public Works if veto sustained.
- d. Public Works. House approved. (Probable veto)
- e. Foreign Aid. In conference.
- f. Interior. In conference.
- g. Treasury-Post Office. In conference. (Dole amendment problem.)
- h. Labor-HEW. Passed House. Senate Floor this week.
- i. Defense. Passed House. Senate awaiting authorization.

4. Authorizations Not Yet Scheduled

a. DOE Authorization (HR 11392)

Rule granted. Awaiting passage of Natural Gas bill. Reported from Interior, Commerce and Science. Armed Services also wants rule on HR 12557, which parallels HR 11392 but has more restrictive provisions for Elk Hills oil production. On Senate must list.

b. Federal Railway Safety (HR 12577)

Passed Senate. Rules Sept. 26. Provides authorization for safety inspectors pay. Also, contains two highly controversial provisions relating to work rules and regulation of length and weight of trains.

c. Regulation Q (HR 14404)

On Senate must list. In committee markup. Suspension.

d. Toxic Substances (HR 12441)

Passed Senate. Failed under suspension 190-188. Simple one-year extension.

Authorizations Not Yet Scheduled (cont'd)

e. Motor Vehicle Safety (HR 12577)

Passed Senate. Single one-year extension. Suspension.

f. Endangered Species (HR 14104)

Passed Senate. Reported. Responds to the Telco Dam incident when Supreme Court ordered halt to project to protect snail darter fish. Bill provides machinery not in law now to waive strict ban on projects by federal agencies if anyone of 682 endangered species be adversely affected. Environmentalists oppose bill. Administration supports. Controversial. Rules Sept. 27

g. Highway Noise Control (HR 12647)

Passed Senate. Contains funds for activities of Office of Noise Abatement and Control (sets noise standards for major noise sources such as heavy trucks, railroads, etc.). Also, adds several million dollars for research and development on noise control methods and makes technical amendments to Resource Conservation and Recovery Act.

h. Consumer Product Safety (HR 12442)

Passed Senate. Extends Product Safety Commission for three years and makes needed changes to speed up cumbersome rule-making procedures.

i. Domestic Volunteer Service (HR 11922)

Passed Senate. Controversial. ACTION authorization. Part of Carter's urban policy package included in the bill as an "urban development" program with a \$40 million authorization. Much opposition on grounds it gives controversial ACTION Director Sam Brown carte blanche power over administering new program.

j. River Basin Monetary Authorization (HR 12139)

Is basic authorization of basin projects out of Public Works Committee. Suspension.

k. Child Nutrition (School Lunch) (HR 12511)

Passed Senate.

l. Farmer to Consumer Marketing (HR 12101)

Passed Senate. Defeated on suspension 237 to 163. Authorizes \$1.5 million for second year of 2-year pilot project to bring farm products directly to consumer at lower prices.

MAJOR BILLS NOT YET SCHEDULED

Welfare Fiscal Relief (HR 13335)

Reported. Rule granted. One year program providing \$359 million additional Federal assistance and error reduction incentive payments. Bill contains formula for figuring amount each state to receive based on AFDC load and revenue sharing payments. States then receive a percentage of this amount based upon their case error rate during a test period. States must pass funds onto localities in amount up to amount localities expend for afdc contributions. Savings from error reduction estimated to be \$28 million for FY 79.

Education Department (HR 13778)

Reported. Rule granted. Senate to act this week. Controversial. Labor opposes.

Countercyclical Assistance (HR 2852)

Passed Senate. Will need rule to take to Floor directly from Speaker's desk. Two-year extension. Annual cost estimated at \$590 million. Grants to cities with jobless rate above 6 percent. Program continued as long as national unemployment rate remains over 5 percent. (August figure 5.9 percent.) Rules Sept. 27.

Reorganization Plan No. 4

Noncontroversial. Full committee Sept. 27. Employee Retirement Administration.

Middle Income Student Assistance (HR 11274)

Passed Senate. Reported. Rule requested. Has \$1.4 billion authorization for guaranteed student loan program for 1979. In rules waiting outcome of tuition tax credit bill.

Labor Intensive Public Works (HR 11610)

Budget resolution included \$700 million but with House and Senate disagreeing on language interpretation. House subcommittee reported \$2 billion hard public works, \$1 billion soft public works. Bob Roe inclined to wait until next year and ask for a Third Budget Resolution if the economy indicates need of program. Not on Senate list.

Child Health Assurance Act (HR 13611)

Reported from both Commerce and Appropriations Committees. Expands medicaid for poverty children under 18. Cost \$324 million in 1979 and \$781 million in 1980. Not on Senate must list. Administration wants. Rules Sept. 27.

NOTE: The above does not include a number of additional measures the sponsors will be pushing, such as:

- Federal Reserve Act
- Emergency Wheat Stockpiles
- Recombinant DNA
- Illinois Brick Anti-Trust
- Domestic Violence Act
- Indian Child Health

(Senate may pass Hospital Cost Containment)

THIS WEEK'S SCHEDULE

In addition, it is unlikely we will complete this week's schedule which includes:

1. Highways-Mass Transit (HR 11733)

Expiring authorization. On Senate must list. House debate started. Numbers substantially over Administration request.

2. Ethics (HR 1)

On must list. Debate started. Passed Senate.

3. DOD Authorization (HR 14042)

Expiring authorization. On Senate must list.

4. Magistrates Act (S. 1613)

Passed Senate.

5. Water Resources Development (HR 13059)

Includes new water projects. After House acts, Bizz Johnson will move to go to conference on Lock and Dam 26 and Waterway User Fees.

6. Financial Institutions Regulatory Act (HR 13471)

Passed Senate.

7. Sugar Stabilization Act (HR 13750)

On Senate must list. Ways and Means recommend flat 15-cent a pound subsidy. Agriculture wants 16 cents with escalator clause that could send it to 21 cents over five years. Difference to be settled on floor this week. Administration prefers Ways and Means if any bill passes.

8. Meat Import Act (HR 11545)

Passed Senate. Bill is similar to Senate-passed measure that provides a countercyclical formula to increase or lower beef and veal imports, sets a floor of 1.2 billion pounds on imports and restricts the President's authority to suspend or increase quotas and to add new categories of meat to quotas. Administration strongly opposes.

9. Nuclear Regulatory Commission (HR 12355)

Expiring authorization. Passed Senate.

10. Clinical Laboratories (HR 10909)

Passed Senate.

11. Public Health Planning (HR 11488)

Expiring authorization. Failed on suspension 261 to 141. Passed Senate.

IN CONFERENCE

- | | |
|---|-------------------------------|
| 1. <u>Civil Service Reform</u> (HR 11280)
Meet Sept. 25. | <u>PRIORITY</u> |
| 2. <u>CETA</u> (S. 2570)
House conferees named. | <u>EXPIRING APPROPRIATION</u> |
| 3. <u>Tuition Tax Credit</u> (HR 12050)
Meet Sept. 28. | (VETO ?) |
| 4. <u>FTC Amendments</u> (HR 3816)
Senate approved. Floor Sept. 26. | <u>EXPIRING AUTHORIZATION</u> |
| 5. <u>Older Americans</u> (HR 12255)
Filed. | <u>EXPIRING AUTHORIZATION</u> |
| 6. <u>Environmental Protection Agency</u> (HR 11302)
Filed. | <u>EXPIRING AUTHORIZATION</u> |
| 7. <u>International Monetary Fund</u> (HR 9214)
Filed. | <u>EXPIRING AUTHORIZATION</u> |
| 8. <u>Judgeships</u> (HR 7843)
Agreed to file. | <u>PRIORITY</u> |
| 9. <u>Commodity Exchange Act</u> (S. 2391)
Agreed to file. | <u>EXPIRING AUTHORIZATION</u> |
| 10. <u>Civil Rights Commission</u> (HR 12432)
Agreed to file. | <u>EXPIRING AUTHORIZATION</u> |
| 11. <u>Economic Opportunity Amendments</u> (HR 7577)
Meet Sept. 25. | <u>EXPIRING AUTHORIZATION</u> |
| 12. <u>Elementary and Secondary Education</u> (HR 15)
Meet Sept. 26. | <u>EXPIRING AUTHORIZATION</u> |
| 13. <u>Housing and Community Development</u> (S. 3084)
Conferees meeting. | <u>EXPIRING AUTHORIZATION</u> |
| 14. <u>Vocational Rehabilitation</u> (HR 12466)
Senate conferees named. | <u>EXPIRING AUTHORIZATION</u> |
| 15. <u>White House Personnel</u> (HR 11003)
Conferees appointed. | <u>NEW AUTHORIZATION</u> |
| 16. <u>SBA Amendments</u> (HR 11445)
Conferees appointed. | <u>EXPIRING AUTHORIZATION</u> |
| 17. <u>Maritime Satellite Telecommunications</u> (HR 11209)
House conferees named. | |
| 18. <u>D.C. Retirement</u> (HR 6536)
Conferees named. | |
| 19. <u>Victims of Crime</u> (HR 7010)
Senate conferees named. | |
| 20. <u>Extended Unemployment Compensation</u> (HR 12380)
House conferees named. | |
| 21. <u>National Commission on Unemployment</u> (HR 12232)
House conferees named. | |
| 22. <u>SBA Minority Program Authorization</u> (HR 11318)
Senate conferees named. | |

WILL GO TO CONFERENCE

- | | |
|--|-------------------------------|
| 1. <u>Foreign Intelligence Wiretapping</u> (HR 7308)
Passed House and Senate. | <u>PRIORITY</u> |
| 2. <u>Veterans Disability Compensation</u> (HR 11886)
Passed House and Senate. | <u>BIG VETERANS PENSIONS</u> |
| 3. <u>Water Research and Development</u> (HR 11826)
Passed House and Senate. | <u>EXPIRING AUTHORIZATION</u> |
| 4. <u>U.S. Railway Authorization</u> (HR 10898)
Passed House and Senate. | <u>EXPIRING AUTHORIZATION</u> |
| 5. <u>Philippine Veterans</u> (HR 5029)
Passed House and Senate. | <u>EXPIRING AUTHORIZATION</u> |
| 6. <u>Nurse Training</u> (HR 12303)
Passed House and Senate. | <u>EXPIRING AUTHORIZATION</u> |
| 7. <u>Mental Health Centers</u> (HR 12460)
Passed House and Senate. | <u>EXPIRING AUTHORIZATION</u> |
| 8. <u>Airline Deregulation</u> (HR 12611)
Passed House and Senate. Bizz Johnson says he will <u>not</u> link airline deregulation and noise in conference, but he wants the two bills to move "in tandem." Noise bill passed House but not on Senate "must list." Johnson is seeking meeting with the President.. | <u>PRIORITY</u> |
| 9. <u>Export-Import Bank</u> (HR 12157)
Passed House. On Senate "must list." | <u>EXPIRING AUTHORIZATION</u> |
| 10. <u>Omnibus Parks</u> (HR 12536)
Passed House. On Senate "must list." | <u>EXPIRING AUTHORIZATION</u> |
| 11. <u>DOE Research</u> (HR 12163)
Passed House. On Senate "must list." | <u>EXPIRING AUTHORIZATION</u> |

THE WHITE HOUSE

WASHINGTON

September 26, 1978

MEMORANDUM TO THE PRESIDENT:

FROM Frank Moore

SUBJECT: Congressman Dan Rostenkowski

The Congressman called last night to ask to bring his daughters in for a photograph with you before the breakfast. The girls came out from Chicago to attend Chip's party last night. The names are Gail, Dawn and Stacy.

If you have the opportunity walking over to the Family Diningroom, I suggest that you ask Dan to help in sustaining the anticipated veto of the Public Works Appropriations bill. He has given some indication of his willingness to help, especially since our water policy included funding for the Chicago underflow.

*I'll set up in Oval office
after photo with Wendell Mitchell
at 7:58 am.*

Phil